

## ATTACHMENT B

### PACIFIC GAS AND ELECTRIC COMPANY

#### REMITTANCE METHODOLOGY

1. Calculation Of Daily Remittance Amount. As soon as practicable following the Effective Date, and prior to the beginning of each calendar month thereafter during the Term, Utility shall forecast the amount of DWR Charges that Utility expects to receive during either (i) the period of time between the Effective Date and the last day of the calendar month in which the Effective Date occurs ("Initial Monthly Period") or (ii) each subsequent calendar month of the Term, as the case may be (each such forecast a "Forecast Collection"). Except to the extent otherwise agreed by the Parties, the Forecast Collection shall be an amount equal to the Estimated DWR Collections (as described in Section 3 below) for the most recent calendar month for which such information is available, adjusted for the number of billing days. The "Daily Remittance Amount" shall be an amount equal to the Forecast Collections for the relevant period, divided by the number of Business Days in the relevant period. If for any period of six consecutive months, the aggregate Reconciliation Amount (defined below) for such period is a positive or negative number greater than 10% of Estimated DWR Collections for such period, DWR and Utility agree to negotiate changes to the Forecast Collection methodology described in this Section 1 that are reasonably designed to reduce the Reconciliation Amount as much as possible for future months. If either party believes such negotiations to be unsuccessful, either Party may, in addition to any other remedies available to the Party, submit the matter to the Commission for resolution.

2. Collection Curve; Interim Collection Curve. To calculate Estimated DWR Collections, Utility will use a single Collections Curve in the form attached hereto as Annex A. After the Effective Date and at any time during the Term, but no more frequently than once every calendar year, either party may, at its own expense, do a study of payment and collection patterns and develop a new Collections Curve. In the event DWR elects to develop a new Collections Curve, Utility shall cooperate in such development, provided that Utility shall be entitled to collect the reasonable costs of such cooperation as an Additional Charge. A study of payment and collection patterns and the development of a new Collections Curve, if undertaken pursuant to this Section 2, shall be done as follows:

- a) a Collections Curve will be developed for all Customers, based upon a random sample of no fewer than 500 Customer bills;
- b) to derive the Collections Curve, there shall be recorded, for a given month, the percentage of the billed revenue that is received in each of the following 6 months or until the application of write-offs, whichever is earlier;
- c) to the extent that Utility collects late payment interest charges for payments rendered after the due date for the relevant payments, such late payment interest charges will be reflected in the Collections Curve as revenue received on the originally-billed amounts.

In addition to the process described above allowing for annual revisions to the Collections Curve, Utility may develop and use in its calculation of Estimated DWR Collections an "Interim Collections Curve," representing Utility's determination of anticipated collections from Customers for Charges, if the funds received by Utility from Customers for Charges for any period of 10 consecutive Business Days are less than 80% of the aggregate amount that Utility expected to receive from Customers for Charges for such period (based upon the then operative Collections Curve); provided, however, that the implementation of any Interim Collections Curve shall be subject to the approval of DWR which approval may not be unreasonably withheld or delayed. If Utility so implements an Interim Collections Curve, then Utility shall be entitled to use it instead of the then operative Collections Curve only until such time as the aggregate funds received from Customers for Charges since the first Business Day of the 10 Business Day period triggering the use of the Interim Collections Curve exceed the 80% threshold described above.

3. Calculation of Estimated DWR Collections. The Estimated DWR Collections shall be equal to the DWR Charges estimated (based upon the Collections Curve) to have been received for the applicable month, including any deductions or other adjustments authorized by Applicable Law or expressly permitted under the Agreement.

4. Adjustments Based on Settlement Data. After publication of the ISO settlement statement for any given date (the "Settlement Data Date"), Utility shall calculate the difference, if any, between (i) Scheduled Energy and (ii) DWR Power actually reflected in ISO settlement statement (exclusive of Imbalance Energy). After 10 days following the Settlement Data Date, any such difference shall be accounted for as an increase or reduction of the billed DWR Charges for the next following month and shall be itemized for each Settlement Data Date. The adjustment described in this section shall be made concerning DWR Power for which the ISO has published settlement statements that have not been accounted for in prior Monthly Reconciliation Reports.

5. Monthly Reconciliation of Forecast Collections. On the Business Day immediately following the 20th day of each month after the Initial Monthly Period (each a "Reconciliation Date"), Utility will (i) subtract the Forecast Collections in the previous month from the Estimated DWR Collections from the previous month and (ii) make those adjustments pursuant to Section 4 of this Attachment B which have not been previously accounted for (the result of such calculation, the "Reconciliation Amount"). If the Reconciliation Amount is positive, the Reconciliation Amount will be remitted to DWR on the Reconciliation Date. If the Reconciliation Amount is negative, the Reconciliation Amount will be invoiced to DWR as Additional Charges in the manner set forth in Section 7 of the Agreement. If the Agreement terminates before a Reconciliation Date for which a Reconciliation Amount has not yet been calculated (which Reconciliation Amount would have been calculated had the Agreement not been terminated), the Parties' obligations with respect to such Reconciliation Amount shall survive termination. Notwithstanding Section 1.25 of the Agreement, the payment of a Reconciliation Amount to DWR in the manner set forth in this Attachment B shall not constitute a Delinquent Payment.

6. Sample Monthly Reconciliation Report. A sample Monthly Reconciliation Report is attached to this Agreement as Annex B to this Attachment B. It is for illustrative purposes only and does not reflect any actual payments or adjustments for any period.

7. Allocation of DWR Power. Under Section 2. 4 of the Agreement, DWR Power will be allocated pursuant to the Act, other Applicable Law, and Applicable Tariffs. The parties agree that currently, the Act and Applicable Law require Utility to calculate a daily percentage equal to the ratio of DWR Power to total bundled service energy provided to Customers and apply such percentage to all Customers in determining the percentage of DWR Power consumed on such day by any Customer or class of Customers.

8. Transition Period. On or prior to the Effective Date, Utility shall transition from use of the interim remittance methodologies described in Decision 01-03-081, adopted by the Commission on March 27, 2001, and Decision 01-05-064, adopted by the Commission on May 15, 2001 (collectively the "Interim Remittance Methodologies"), to use of the more precise remittance methodology ("More Precise Remittance Methodology") set forth in this Agreement and this Attachment B. This transition will include the continuation of the Interim Remittance Methodologies after the Effective Date as long as necessary or appropriate (the "Transition Period") to account for DWR Power provided to Customers prior to the Effective Date. Remittances during the Transition Period using the Interim Remittance Methodologies shall be made in addition to Remittances made in accordance with the More Precise Remittance Methodology set forth herein. As soon as practicable following the last day that the Interim Remittance Methodologies are applied, but not later than 210 days after the Effective Date, Utility will submit to DWR a reconciliation calculation, in form and substance reasonably acceptable to DWR, comparing (i) all amounts remitted to DWR pursuant to the Interim Remittance Methodologies with (ii) the amounts which would have been remitted to DWR had the More Precise Remittance Methodology been used instead. To assist Utility in making such reconciliation calculation, DWR will cooperate with Utility and supply such data that Utility reasonably requests to perform such reconciliation calculation. The adjustment to the relevant Reconciliation Amount derived from such reconciliation calculation shall be made at the next Reconciliation Date that occurs no earlier than 10 calendar days following submittal of the adjustment calculation to DWR, absent a determination by DWR of error in such calculations.

9. New Utility Systems. If Utility implements a billing, accounting and/or other information system that, in Utility's reasonable estimation, enables Utility to track, measure, and calculate actual Customer payments of Consolidated Utility Bills on a daily basis, Utility shall notify DWR of the same. Following any such notification, upon DWR's election to require Utility to remit and adjust DWR Revenues on a daily basis and in a manner generally consistent with that set forth in Annex B to this Attachment B, Utility shall make commercially reasonable efforts to comply with any such request as soon as practicable. Utility shall be entitled to recover its reasonable incremental costs of implementing such changes requested by DWR in remittance and adjustment methodologies as Additional Charges in the manner set forth in Section 7 of this Agreement. Any improvements to or replacements of Utility's systems which are undertaken for reasons which are independent of this provision shall not be considered an incremental cost under this provision.

10. Collections after Termination. Section 5.5 of the Agreement notwithstanding, and except to the extent otherwise agreed pursuant to Section 9 of or Annex B to this Attachment B, Utility shall have no obligation to pursue collection of, and no liability for failure to collect, DWR Charges after 180 calendar days following termination of the Agreement. Notwithstanding the immediately preceding sentence, Utility shall employ commercially reasonable efforts to identify and remit such identified DWR Charges to DWR that utility receives after 180 calendar days following termination of the Agreement.